

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-05  
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R 211654Z DEC 77  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 3257

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E.O. 11652: N/A  
TAGS: EFIN, EINV  
SUBJ: GOE MINFIN REPORTS 1977 BUDGETARY SURPLUS THROUGH  
- OCTOBER

REF: CAIRO 21526

1. RECENT PRESS ACCOUNTS IN AHARAM AND GUMHURIYYA DETAIL  
GOE 1977 EXPENDITURES VIS-A-VIS BUDGETARY ALLOCATIONS.  
CITING OFFICIAL MINFIN REPORT, PRESS DESCRIBES THIRD  
QUARTER SURPLUS IN 1977 GENERAL BUDGET AMOUNTING TO  
LE 702.1 MILLION. ACCORDING THESE ACCOUNTS, OPERATING  
EXPENSES THROUGH OCT 1, 1977 AMOUNTED TO LE  
3104.8 MILLION OR 56 PERCENT OF LE 5502.7 MILLION  
ALLOCATED FOR FULL FISCAL YEAR ENDING DEC 31, 1977.  
CURRENT EXPENDITURES FOR SAME PERIOD REACHED LE 1950.7  
MILLION OR 51 PERCENT OF LE 3858 MILLION BUDGETED FOR FULL  
FISCAL YEAR. (N.B. NORMALLY CURRENT EXPENDITURES ARE  
INCLUDED IN OPERATING EXPENDITURES AND WE BELIEVE THIS IS  
THE CASE BUT IT IS NOT CLARIFIED IN PRESS.)

2. COMMENT: RELEASE OF MINFIN REPORT ON GOE 1977  
EXPENDITURE PICTURE APPEARS COINCIDENTALLY TIMED WITH GOE  
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ECONOMIC GROUP DRIVE TO PUSH THROUGH PEOPLES ASSEMBLY  
WHAT PROMISES TO BE STIMULATORY FISCAL PACKAGE (SEPTTEL).  
MOREOVER, AS INDICATED REFTTEL, GOE CLEARLY UNWILLING  
ABANDON PRESENT SUBSIDY PROGRAM FOR KEY COMMODITIES.  
REPORT, WHICH LAYS GROUNDWORK FOR SURPLUS TO BE TRANSFERRED.  
TO 1978 BUDGET RESERVES, IS LIKELY AN EFFORT TO CONVINCE  
DONORS/IMF OF GOE'S ECONOMIC RESTRAINT AND IMPROVED

BUDGETARY CONTROL, AS WELL AS TO COUNTER POTENTIAL CRITICISM OF PROGRAM AS NOW ENVISIONED.

3. ALL REPORTS INDICATE THAT BUDGET/PLAN PRESENTATION NOW UNDER DISCUSSION AT PEOPLES ASSEMBLY INCLUDES LARGER FIGURE FOR SUBSIDIES THAN 1977 AND SIZEABLE JUMP IN PLANNED INVESTMENT EXPENDITURE. AS FAR AS CAN BE DETERMINED 1978 PORTION OF FIVE YEAR PLAN HAS BECOME INVESTMENT BUDGET. WHILE INVESTMENT FIGURE IS REPORTEDLY PROGRAMMED AT PARALLEL RATE, MINFIN HAS NOT CLARIFIED RATE USED IN ALL BUDGET CALCULATIONS (NOTE: LE 1.00 EQUALS \$1.43 AT PARALLEL RATE; \$2.56 AT OFFICIAL RATE). MINFIN AND MINSUPPLY HAVE SAID INFORMALLY, HOWEVER, THAT OFFICIAL RATE IS STILL IN USE FOR VALUATION OF SUPPLY COMMODITIES. IN PAST THIS PROCEDURE HAS RESULTED IN "HIDDEN" SUBSIDY AS NEITHER COST OF IMPORTS NOR COST OF SUBSIDY ACCURATELY REFLECTED BECAUSE OF HEAVILY DISCOUNTED EGYPTIAN POUND.

4. RECENT CONCERTED EFFORT ON PART OF GOE ECONOMIC GROUP MAY BE DESIRE TO DISPENSE WITH BUDGET AND CONTROVERSIAL FISCAL POLICIES, E.G., SUBSIDIES, AT TIME WHEN MOST OF OUR (AND OTHER DONOR ATTENTION) IS FOCUSED ELSEWHERE, ON ASSUMPTION IT WILL BE DIFFICULT TO DEAL WITH A FAIT ACCOMPLI, PARTICULARLY AS CORRECTIVE MEASURES ARE POLITICALLY UNPALATABLE. EILTS  
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## Message Attributes

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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**Reference:** 77 CAIRO 21526  
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**Type:** TE  
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**Review Markings:**  
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